

**MILLARD COUNTY FIRE DISTRICT
A COMPONENT UNIT OF MILLARD COUNTY
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS
DECEMBER 31, 2005**

**MILLARD COUNT FIRE DISTRICT
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DECEMBER 31, 2005**

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INDEPENDENT AUDITORS' REPORT

Millard County Fire District
P.O. Box 1091
Delta, UT

I have audited the accompanying financial statements of the governmental activities of Millard County Fire District, a component unit of Millard County, (herein referred to as the "District"), as of and for the year ended December 31, 2005, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 11, 2007, on my consideration of District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison information on pages 3 through 6 and page 11 are not a required part of the basic financial statements but are

supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Todd E. Holt, CPA

June 11, 2007

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Millard County Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005.

Financial Highlights

- The revenues of the District decreased by \$ 96,534 over the previous year. This decrease is due to a decrease in funding by the Government. This decrease is explained by the special grants received in the prior year to allow for the purchase of replacement equipment, which can better serve the citizens of Millard County.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the District are to provide fire protection and prevention to the citizens of Millard County as well as other nearby areas when necessary.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local government units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation of a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$ 646,697 at the close of the most recent fiscal year. As the District uses all capital assets purchased to provide services to citizens; consequently, these are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District had one outstanding note payable of \$37,887 to the Utah State Division of Forestry, Fire, and State Lands from a 1996 fire as of December 31, 2005.

**District's Net Assets
December 31, 2005**

	<u>2004</u>	<u>2005</u>
Current Assets	\$ 693,645	\$ 646,697
Capital Assets (net)	<u>1,375,762</u>	<u>1,246,892</u>
Total Assets	<u>\$ 2,069,407</u>	<u>\$ 1,893,589</u>
Liabilities	\$ 165,221	\$ 2,105
Long-term Liabilities outstanding	<u>50,517</u>	<u>37,887</u>
Total Liabilities	<u>\$ 215,738</u>	<u>\$ 39,992</u>
Net Assets		
Invested in Capital Assets, of related debt	\$ 1,211,473	\$ 1,246,892
Unrestricted (deficit)	<u>642,196</u>	<u>646,697</u>
Total Net Assets	<u>\$ 1,853,669</u>	<u>\$ 1,893,589</u>

At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year as well.

Governmental Activities

Total expenses decreased from the prior year due to a decrease in total revenues received.

District's Change in Net Assets

	<u>2004</u>	<u>2005</u>
General Revenues		
Operational Grants	\$ 117,255	\$ 23,689
Sales of Assets	7,052	3,000
Taxes	436,569	424,167
Unrestricted Investment Earnings	5,857	12,768
Miscellaneous	<u>946</u>	<u>7,521</u>
 Total General Revenues	 <u>\$ 567,679</u>	 <u>\$ 471,145</u>
Governmental Activities Expenses:		
General Government	\$ 81,301	\$ 51,183
Maintenance & Operations	<u>325,403</u>	<u>380,042</u>
 Total Expenses	 <u>\$ 406,704</u>	 <u>\$ 431,225</u>
 Change in Net Assets	 \$ 160,948	 \$ 39,920
 Net Assets Beginning of Year (Restated)	 <u>\$ 1,692,694</u>	 <u>\$ 1,853,669</u>
 Net Assets End of Year	 <u>\$ 1,853,669</u>	 <u>\$ 1,893,589</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's reported ending fund balance of \$ 646,697. Of this total amount, \$ 646,697 constitutes unreserved fund balance, which is available for spending at the District's discretion.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Millard County Fire District, P.O. Box 1091, Delta, Utah 84624.

MILLARD COUNTY FIRE DISTRICT
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 410,000	\$ 395,848	\$ 424,167	\$ 28,319
Grant Income	75,000	30,662	5,991	(24,671)
Interest	10,000	12,768	11,639	(1,129)
Other	-	-	10,521	10,521
Total Revenues	<u>495,000</u>	<u>439,278</u>	<u>452,318</u>	<u>13,040</u>
Expenditures				
General Government	43,937	33,509	51,183	(17,674)
Public Safety	189,727	189,727	218,950	(29,223)
Debt Service:				
Principal Retirement	50,517	50,517	50,517	-
Capital Outlay	155,000	80,050	32,222	47,828
Total General Government	<u>439,181</u>	<u>353,803</u>	<u>352,872</u>	<u>931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,819	85,475	99,446	13,971
Other Financing Sources (Uses)				
Transfers In			-	-
Transfers Out			82,650	(82,650)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>82,650</u>	<u>(82,650)</u>
Net Change in Fund Balances	55,819	85,475	182,096	(68,679)
Fund Balance Beginning of Year	<u>421,648</u>	<u>421,648</u>	<u>421,648</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$ 477,467</u></u>	<u><u>\$ 507,123</u></u>	<u><u>\$ 603,744</u></u>	<u><u>\$ (68,679)</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY FIRE DISTRICT
Statement of Net Assets
December 31, 2005

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 572,752
Property Tax Receivable	54,142
Grant Receivables	17,698
Other Assets	2,105
Capital Assets	
Land and Buildings	494,757
Equipment and Vehicles	3,041,545
Accumulated Depreciation	<u>(2,289,410)</u>
Total Assets	<u>1,893,589</u>
Liabilities	
Accrued Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets	
Investment in Capital Assets, net of Related Debt	1,246,892
Unrestricted	<u>646,697</u>
Total Net Assets	<u><u>\$ 1,893,589</u></u>

The Notes to the Financial Statements are an Integral Part of the Statement.

MILLARD COUNTY FIRE DISTRICT
Statement of Activities
For the Year Ended December 31, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government
	Expenses				Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 51,183	\$ -	\$ 5,991	\$ -	\$ (45,192)
Public Safety	380,042	-	-	17,698	(362,344)
Total Primary Government	\$ 431,225	\$ -	\$ 5,991	\$ 17,698	(407,536)
General Revenues					
Property Taxes					424,167
Interest					12,768
Other					10,521
Total General Revenues and Transfers					447,456
Change in Net Assets					39,920
Net Assets Beginning of Year					1,853,669
Net Assets End of Year					\$ 1,893,589

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY FIRE DISTRICT

Balance Sheet

Governmental Funds

December 31, 2005

	General	Capital Projects	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 547,497	\$ 25,255	\$ 572,752
Property Tax Receivable	54,142	-	54,142
Grant Receivables		17,698	17,698
Other Assets	2,105	-	2,105
Total Assets	\$ 603,744	\$ 42,953	\$ 646,697
Liabilities			
Accrued Liabilities	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balances			
Unreserved:	603,744	42,953	646,697
Total Fund Balances	603,744	42,953	646,697
Total Liabilities and Fund Balances	\$ 603,744	\$ 42,953	\$ 646,697

The Notes to the Financial Statements are an integral part of this Statement.

MILLARD COUNTY FIRE DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Funds Balances	\$ 646,697
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>1,246,892</u>
Net Assets of Governmental Activities	<u>\$ 1,893,589</u>

MILLARD COUNTY FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Capital Projects	Total Governmental Funds
Revenues			
Property Taxes	\$ 424,167	\$ -	\$ 424,167
Grant Income	5,991	17,698	23,689
Interest	11,639	1,129	12,768
Other	10,521	-	10,521
Total Revenues	<u>452,318</u>	<u>18,827</u>	<u>471,145</u>
Expenditures			
General Government	51,183	-	51,183
Public Safety	218,950	-	218,950
Debt Service:			
Principal Retirement	50,517	-	50,517
Capital Outlay	32,222	-	32,222
Total Expenditures	<u>352,872</u>	<u>-</u>	<u>352,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	99,446	18,827	118,273
Other Financing Sources (Uses)			
Transfers In	82,650	-	82,650
Transfers Out	-	(82,650)	(82,650)
Total Other Financing Sources (Uses)	<u>82,650</u>	<u>(82,650)</u>	<u>-</u>
Net Change in Fund Balances	182,096	(63,823)	118,273
Fund Balances (Deficits) Beginning of Year	<u>421,648</u>	<u>106,776</u>	<u>528,424</u>
Fund Balances (Deficits) End of Year	<u><u>\$ 603,744</u></u>	<u><u>\$ 42,953</u></u>	<u><u>\$ 646,697</u></u>

The Notes to the Financial Statement are an Integral Part of this Statement.

MILLARD COUNTY FIRE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 118,273**

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Expenditures for Capital Assets	32,222	
Less Current Year Depreciation	<u>(161,092)</u>	(128,870)

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets.

50,517

Change in Net Assets of Governmental Activities **\$ 39,920**

MILLARD COUNTY FIRE DISTRICT
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 410,000	\$ 395,848	\$ 424,167	\$ 28,319
Grant Income	75,000	30,662	5,991	(24,671)
Interest	10,000	12,768	11,639	(1,129)
Other	-	-	10,521	10,521
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Expenditures				
General Government	43,937	33,509	51,183	(17,674)
Public Safety	189,727	189,727	218,950	(29,223)
Debt Service:				
Principal Retirement	50,517	50,517	50,517	-
Capital Outlay	155,000	80,050	32,222	47,828
Total General Government	<u>439,181</u>	<u>353,803</u>	<u>352,872</u>	<u>931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,819	85,475	99,446	13,971
Other Financing Sources (Uses)				
Transfers In			-	-
Transfers Out			82,650	(82,650)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>82,650</u>	<u>(82,650)</u>
Net Change in Fund Balances	<u>55,819</u>	<u>85,475</u>	<u>182,096</u>	<u>(68,679)</u>
Fund Balance Beginning of Year	<u>421,648</u>	<u>421,648</u>	<u>421,648</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 477,467</u>	<u>\$ 507,123</u>	<u>\$ 603,744</u>	<u>\$ (68,679)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**MILLARD COUNTY FIRE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**MILLARD COUNTY FIRE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2003, the District implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

1.A. FINANCIAL REPORTING ENTITY

The District was created on September 16, 1987, as a special service district by the Board of Millard County Commissioners pursuant to the terms and provisions of Title 11, Chapter 23, Utah Code Annotated, 1953, as amended on September 16, 1987. The primary purpose of the District is to maintain uniform and equitable fire protection, suppression and prevention throughout the boundaries of Millard County, or outside of its boundaries in extreme emergency situations. The District is a funding district, contracting with each member of the District for fire protection within the boundaries of the member municipality and the surrounding area of the District.

The District follows the definition criteria of GASB to establish its reporting entity. Oversight responsibility is the primary criteria used. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

There are no component units included in this report. The District is considered a component unit of Millard County.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

**MILLARD COUNTY FIRE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

	<u>Fund</u>	<u>Brief Description</u>
Major:		
General		See above for description.
Nonmajor:		
Capital Projects		

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

**MILLARD COUNTY FIRE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes all demand, savings accounts, and certificates of deposits of the District.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.A.

**MILLARD COUNTY FIRE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository." A "qualified depository" is defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Fixed Assets

The District purchases equipment for the protection and prevention of fires within the District. Assets purchased are then gifted to Millard County. The County reports the equipment in its financial statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain

**MILLARD COUNTY FIRE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

2.A. BUDGETARY BASIS OF ACCOUNTING

Budgetary procedures for the District have been established by Utah State. The basis of accounting applied to the budget is the same basis as the related financial statements.

Annual budgets are prepared and adopted in accordance with State law by the Board on or before December 31 for the following fiscal year beginning January 1. Budgets may be increased by resolution of the Board at any time during the year, provided a public hearing has been held regarding any proposed increase.

Under Utah Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The District's policies regarding deposits of cash are discussed in Note 1.D. At December 31, 2005, the carrying amount of the District's deposits were \$211,454, and the bank balance was \$361,297. Of the total bank balance, \$100,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute

Investments

The District's policies and applicable laws regarding investments is discussed in Note 1.D. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the District based upon whether the investments are insured or registered and upon who holds the security at December 31, 2005. The categories of credit risk are defined as follows:

**MILLARD COUNTY FIRE DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2005**

Category 1—Insured or registered with securities held by the entity or its agent in the entity's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the entity's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the District's name

The District currently has no investments that are required to be categorized.

The District has investments with the Utah Public Treasurers' Investment Fund (PTIF), which are not subject to categorization. The value of the investments at December 31, 2005, was \$211,454.

The PTIF is an external deposit and investment pool wherein governmental entities are able to pool the moneys from several entities to improve investment efficiency and yield. These moneys are invested primarily in money market securities and contain no withdrawal restrictions. As such, the moneys invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

NOTE 4. CHANGES IN LONG-TERM DEBT

The District incurred \$126,296 of debt due to the Utah State Division of Forestry, Fire and State Land ("The Division") for the 1996 fire season. The District agreed to pay the Division, interest free, in ten equal annual payments of \$12,630. The payments began January 1, 1999 and end January 1, 2008.

Balance		Balance
Jan. 1, 2005	Decreases	Dec. 31, 2005
<u>\$ 50,517</u>	<u>\$ 12,630</u>	<u>\$ 37,887</u>

Future maturities of long-term debt for the next four years are as follows:

2006	12,630
2007	12,630
2008	12,630
2009	-
	<u>\$ 37,887</u>